



Mission Australia

Submission to the Productivity Commission's  
Independent Review of Job Network

December 2001

# **Introduction**

Mission Australia has provided assistance to the long term unemployed for more than 22 years and presently operates Job Network programs in more than 130 sites around Australia.

To date, under the second Job Network contract (ESC2) Mission Australia has placed more than 50,000 job seekers into employment and more than 1200 unemployed into micro businesses.

This report summarises Mission Australia's key issues of concern relating to the Job Network and furnishes a series of recommendations for their resolution.

## Recommendations

1. Funding to Job Network providers needs to be closely monitored in times of high unemployment and a suite of strategies put in place to enhance Job Network expenditure on disadvantaged job seekers.
2. A Job Network management group be established consisting of representatives from the Department of Employment, Workplace Relations and Small Business (DEWRSB), Centrelink and Job Network providers to oversee the function, management and performance of the Job Network.
3. Centrelink enter into performance agreement targets with Job Network providers in all Employment Service Areas (ESAs) and compensation for non performance of Key Performance Indicators (KPIs) becomes a component of such an arrangement with DEWRSB.
4. The Job Network management group complete an independent annual assessment of the quality of services being provided to all stakeholders in the market by all members and this becomes the basis for continuous improvement of the Job Network and relationships.
5. DEWRSB complete the planned independent audit of the Star Ratings system by an independent statistician in consultation with the industry prior to finalising the design of the ESC3 tender process.
6. Full details of the Star Rating model be made publicly available and be open to public scrutiny.
7. The rollover of 60% of the market be completed using a combination of ESA standard performance ratings (not national) and quality ratings based on a structured qualitative assessment process undertaken by DEWRSB.
8. The tender process be postponed until the independent review of the Star Ratings system is completed.
9. The portion of ESC3 open to tender should involve a complete tender process for all tenderers.
10. The electronic bidding approach should not be used in the tender process for ESC3.
11. A review be undertaken analysing the current business-to-business (B2B) interface between DEWRSB and providers.
12. DEWRSB move their Information Technology (IT) planning stance from one pursuing cutting edge technology to a plan which ensures a more stable technology base.

13. The current technology position to remain the standard for the next three years, to enable providers to fine tune and stabilise their current networks.
14. The future medium-term role and function of third-party software for providers be finalised and limits on the design specifications of EA2000 be finalised for the long term.
15. A longitudinal management model be developed for clients unemployed for six months or longer.
16. The longitudinal model incorporate a case management approach together with client information sharing between program providers incorporating sensitivity to privacy issues relating to clients.
17. Further investigation be undertaken to develop ways of improving the level of accuracy of the Centrelink client referrals to Job Network programs.
18. The Job Search Classification Index (JSCI) as a classification tool, together with the method of its implementation, be re-examined particularly in the light of the classification of some disadvantaged people.
19. Resources need to be increased to Centrelink to enable Special Needs Assessments (SNAs) to be completed in a reasonable time period in all regions.
20. A review be completed of the longitudinal needs of Intensive Assistance (IA) clients who have completed two years of Assistance and consideration be given to the provision of six months full-time employment, or simulated employment, and relocation support to 'job rich' locations where necessary.
21. Eligibility to the New Enterprise Incentive Scheme (NEIS) be broadened to cover mature-aged unemployed job seekers who are not presently eligible for benefits, allowing them access to the training, assistance and mentoring aspects of the scheme, without accessing the NEIS allowance unless they meet current eligibility guidelines.
22. Modify the current referral and sign-up process for IA to provide Aboriginal and Torres Strait Islander (ATSI) clients with a more culturally sensitive introduction to the Job Network.
23. Structures be put in place to ensure that those involved in Job Network, Community Development Employment Projects (CDEP), Indigenous Employment Centres (IECs), Centrelink, employers and communities work in partnership at the local level for ATSI clients.
24. A best practice study of high and low performing specialist ATSI Job Network providers be undertaken to identify the characteristics of high performance and allow for the dissemination of best practice.

## Economic Conditions

Until the Job Network was introduced, Labour Market Programs were considered as a 'contra cyclical' device, expanding expenditure levels in times of high unemployment. To date outcomes-based funding models such as Job Network have yet to face operation in times of economic difficulty.

In an economic slowdown, given the current Job Network's design, job flows might be expected to slow for disadvantaged job seekers and expenditure on individual assistance to disadvantaged unemployed job seekers can be expected to reduce rather than increase.

### **Recommendation**

- 1. Funding to Job Network providers needs to be closely monitored in times of high unemployment and a suite of strategies put in place to enhance Job Network expenditure on disadvantaged job seekers.**

## Poor Communications and Integrated Management

The Job Network purchaser/provider relationships are still poorly integrated in terms of both management and process. The 'silos' in operation are fundamentally contract based, namely:

DEWRSB ⇒ Centrelink  
DEWRSB ⇒ Providers

With the entry of FaCS with the Personal Support Program (PSP) another silo will form:

FaCS ⇒ Centrelink

In spite of a number of significant efforts to improve 'cross silo communications' using various Industry Associations, partner orientation programs for staff, and conferences and other forums, these silos continue to exist and represent a major barrier to the effective integrated management of the Network.

Job Network provider performance and financial viability depend significantly on the function and performance of Centrelink. However, at this point, no formal contractual obligations or relations exist between providers and Centrelink and no formal structure exists to enhance relationships between these two key segments of the market.

### **Recommendations**

- 2. A Job Network management group be established consisting of representatives from DEWRSB, Centrelink and Job Network**

**providers to oversee the function, management and performance of the Job Network.**

- 3. Centrelink enter into performance agreement targets with Job Network providers in all ESAs and compensation for non performance of KPIs becomes a component of such an arrangement with DEWRSB.**
- 4. The Job Network management group complete an independent annual assessment of the quality of services being provided to all stakeholders in the market by all members and this becomes the basis for continuous improvement of the Job Network and relationships.**

## Performance Focus

Tying performance, as measured by the 'Star Ratings' performance measuring system, to the ESC3 tender process has had a significant impact on provider behaviour.

Providers have focussed their activity heavily on achieving outcomes for clients that will 'score' on the rating system.

This has resulted in behaviour by providers that goes against the integrity and spirit of the Job Network, as well as a continuing 'push' to achieve appropriate recordable results at the clients' expense.

In spite of further regulation by the purchasers being introduced earlier in 2001 such behaviour continues in the market with competition for 'Stars' continuing to take the focus away from 'what is best for the client' and instead emphasising 'how can I get a payable outcome?'.

## Relative Performance Measurement

DEWRSB are presently using an instrument to measure the relative performance of Job Network providers called the Star Ratings Performance Rating system. Since the introduction of the ratings system the employment services industry has been split with providers with good scores approving of the system and those with poorer scores doubting the system.

A large segment of the industry has however expressed general concern about the model's validity and reliability as a standardised measuring tool. To date virtually no information relating to the design and operation of the model has been publicly

available and the industry as a result remains sceptical about its accuracy as a measuring tool.

Industry analysis of the ESA results produced by the model suggests:

- a) The regressions in the ratings model are not accurately standardising the differences between metropolitan and non metropolitan labour markets, nor between of level A and B difficulty clients.
- b) The regressions in the ratings model are not complex enough to accurately estimate labour market difficulty by geographic area (using unemployment rates and jobs growth statistics is too simplistic). There are too many peculiar variables between labour sub markets to make accurate regression forecasts on market difficulty and the performance of providers.
- c) The outcomes for most specialist providers are abnormally high in terms of standardised ratings, which could be occurring for a series of reasons other than performance.
- d) Scores are being manipulated by providers to achieve ratings using questionable measures.
- e) The Star Rating is claimed by DEWRSB to not be a reliable measure for single sites in an ESA. By inference this means that providers with only one site in an ESA or region will not produce a reliable result for that ESA or region.
- f) Sites that commenced as new sites in ESC2 or sites that grew substantially in ESC2 will be disadvantaged in their Star Ratings over existing sites in existing markets.

## **Recommendations**

5. DEWRSB complete the planned independent audit of the Star Ratings system by an independent statistician in consultation with the industry prior to finalising the design of the ESC3 tender process.
6. Full details of the Star Rating model be made publicly available and be open to public scrutiny.

## **ESC3 Tender Design**

Following the extensive dislocation that occurred between ESC1 and 2 for all stakeholders, it is generally agreed that the tender approach for ESC3 should not be a repeat of ESC2.

The proposed ESC3 tender process that has been outlined to the industry by DEWRSB contains some major design flaws:

- a) While agreeing with the concept of rolling over 60% of existing sites, relying solely on Star Ratings is a questionable practice. Firstly, because the reliability and validity of the Star Rating system is under question. Secondly, because the Star Ratings cannot be assumed to be a measure of the overall 'quality' of service provision. Performance is only one aspect of the services being purchased by DEWRSB and the rollover measure

needs to encapsulate a broader assessment of all services purchased, not merely the outputs of the services purchased.

As indicated previously, Star scores can be manipulated and data from DEWRSBs quality and process audits, complaints system, as well as the breadth and depth of services provided by Job Network members to all participants need to be assessed.

- b) For the same reasons as above, the sole use of the Star Rating for existing providers in the 40% re-tender is not recommended as a quality measure.
- c) The electronic bidding process as presented fails to enhance the effectiveness of the tender process and provides additional administrative complications for providers.

## **Recommendations**

- 7. The rollover of 60% of the market be completed using a combination of ESA standard performance ratings (not national) and quality ratings based on a structured qualitative assessment process undertaken by DEWRSB.**
- 8. The tender process be postponed until the independent review of the Star Ratings system is completed.**
- 9. The portion of ESC3 open to tender should involve a complete tender process for all tenderers.**
- 10. The electronic bidding approach should not be used in the tender process for ESC3.**

## **Business to Business Interface**

A review of provider accounting practices and the systems needed to cope with the current B2B interface between DEWRSB and providers suggests efficiencies and improvements could be gained by avoiding senseless duplication of systems, incorporating improved communications, and establishing KPI measures of system performance for both providers and DEWRSB.

### **Recommendation**

- 11. A review be undertaken analysing the current B2B interface between DEWRSB and providers.**

## **Information Technology**

One area of major change and trauma for the Job Network has been the scale and rate of change occurring in information technology. Moves to broadband communication and changes from IES to EA2000 were fraught with difficulty as providers struggled with shifting to cutting edge technology, especially those in rural areas where connectivity is difficult and technology support limited.

Further, providers who have invested in independent software and have operated via the CI have also encountered difficulties.

The CI does not offer IA/Job Matching (JM) providers full functionality. This results in them having to move between IES/EA2000 and their custom software, placing them at a competitive disadvantage to EA2000 users.

The change management issues provided by such strategies have been significant for both providers and DEWRSB and at this point in time efforts are still being made to 'bed in' the current changes.

The future use of third party software providers remains in question in view of changes to the privacy laws and future developments of DEWRSB's single portal approach and the closure of the CI in 2003.

The rate of change for providers, their staff and systems has been enormous over the last two Job Network contracts. While DEWRSB have done as much as possible to cover the financial cost of these changes, they have had a significant impact on the efficiency and effectiveness of providers and the network.

### **Recommendations**

**12. DEWRSB move their IT planning stance from one pursuing cutting edge technology to a plan which ensures a more stable technology base.**

**13. The current technology position to remain the standard for the next three years, to enable providers to fine tune and stabilise their current networks.**

**14. The future medium-term role and function of third-party software for providers be finalised and limits on the design specifications of EA2000 be finalised for the long term.**

## **Client Management**

Job Network program design continues to operate as a series of silos with virtually no flow of information on client history moving between providers of JM, Job Search

Training (JST), IA and NEIS let alone between other programs such as Community Support Program, Work for the Dole (WFTD) or Jobs Placement, Employment and Training (JPET).

The impact of this approach is that each time a client commences a program or changes provider, the provider has to 'begin again' in diagnosing the client's situation in any great detail.

Long-term work with clients over several years (and possibly several programs) is still not covered by the Job Network program design. It is a major inhibitor of program efficiency and the consistent management and direction of clients towards sustained employment.

Lack of information on client history works against the team approach to client rehabilitation and is very different from the models employed in other areas, eg the health industry.

The only information available between Centrelink and providers (after client approval has been received) relates solely to specific answers to single questions. Unless providers know the 'right' questions to ask, they may miss out on significant issues relating to a client's history.

While respecting privacy is a key issue, improved information management practices could have a significant positive impact on long term unemployed clients.

## **Recommendation**

**15. A longitudinal management model be developed for clients unemployed for six months or longer.**

**16. The longitudinal model incorporate a case management approach together with client information sharing between program providers incorporating sensitivity to privacy issues relating to clients.**

## **Data Accuracy**

At present the referral to commencement rate for the IA program is approximately 62% of the contract. This means that even after significant provider effort, 38% of IA referrals fail to commence the program.

This results from a range of problems, the most obvious of which is client data inaccuracy. The move to the 'auto referral' of clients in 2000 has significantly affected the administration and costs associated with processing and making contact with IA clients.

In their current form, automatic referrals should be discontinued and replaced with a predominantly manual referral process. Research activity should be completed to enable Centrelink to identify the likely degree of risk that a job seeker will be breached and all Centrelink clients should be flagged accordingly. Job seekers identified as 'high risk' should be manually referred to Job Network programs after a personal interview with Centrelink officers; 'medium risk' job seekers should be referred manually after a short group interview with Centrelink officers; and 'low risk' job seekers should be referred automatically.

## **Recommendation**

### **17. Further investigation be undertaken to develop ways of improving the level of accuracy of the Centrelink client referrals to Job Network programs.**

## **Client Classification Process**

The assessment and classifying of clients by Centrelink must be improved. Hopefully the current review of breaching by Centrelink, as well as the Independent Review coordinated by ACOSS, will assist in this matter.

Mission Australia believes Centrelink should review the content and current use of the JSCI. At present, it tends to be used as an 'assessment tool' that streams job seekers into different programs, but it has clear limitations. The method of application of the JSCI is also problematic. The instrument requires self-disclosure of personal (and sometimes highly sensitive) information. Given their role in the social security system, Centrelink officers are not best placed to elicit this information from job seekers. Consideration needs to be given to the feasibility (taking into account the need for adequate funding levels and adherence to privacy regulations) for community organisations having responsibility for undertaking the initial job seeker assessment on behalf of Centrelink especially for highly disadvantaged clients.

Appropriate assessment methods (in place of the JSCI) should be utilised by Centrelink to identify and assist special needs groups like people who are homeless.

Tools for assessing 'high breach risk' job seekers must be developed. The JSCI is not appropriate for this task. High risk job seekers should be 'flagged' to IA providers.

Centrelink should ask all Job Network providers to monitor their case loads for 'at risk' job seekers. When an 'at risk' job seeker is identified, they should be referred back to Centrelink by the Job Network provider for an SNA within two weeks of the referral. The system at present is under-resourced and some job seekers wait months to have an SNA undertaken. More resources are needed within Centrelink for the administration of SNAs.

The time available for the administration of the JSCI needs to be increased from the current 30 minutes to at least a 50 minute interview (including the time needed for the

processing of additional information with the job seeker). Staff training in the use of the JSCI needs to be enhanced.

The administration of the JSCI (or another screening instrument) should be followed by a more intensive assessment at 6 months, and then again at 12 months. Thereafter, the JSCI (or other instrument) should be applied annually.

The JSCI should not be administered at Centrelink counters, but in a private consulting room to enhance client privacy and encourage disclosure.

## **Recommendation**

**18. The JSCI as a classification tool, together with the method of its implementation, be re-examined particularly in the light of the classification of some disadvantaged people.**

**19. Resources need to be increased to Centrelink to enable SNAs to be completed in a reasonable time period in all regions.**

## **Churning of Clients**

As the Job Network continues it is becoming apparent that IA participants are beginning to 'churn' through IA programs for a second time.

This raises the issue of how long such churning should be managed and emphasises the importance of a longitudinal approach to client assistance through an array of different programs.

The possibility of offering guaranteed full time employment for at least six months is a strategic possibility worth considering for clients who have completed two years of IA. Several possibilities are available here. One would be a six month full wage subsidy for employers; the other would be a six month full-time WFTD project where the salary is paid by the sponsor or host.

While this approach is feasible in 'job rich' labour markets, the position in rural, regional and remote areas would be more difficult. In these circumstances – cash incentives to assist clients to move to job rich areas (and be supplemented for travel, accommodation and removal costs) could be offered, along with six months full time employment, should be considered as a possibility.

## **Recommendation**

**20. A review be completed of the longitudinal needs of IA clients who have completed two years of Assistance and consideration be given to the provision of six months full-time employment, or**

**simulated employment, and relocation support to ‘job rich’ locations where necessary.**

## **NEIS Access**

A large number of mature aged job seekers are presently unable to access the NEIS program because they are not eligible for government benefits. This is most often due to their levels of superannuation or savings and other assets.

This group of unemployed people are at a stage in their lives when a major career change is a highly relevant alternative for them and one where they have the capital to fund a new business. What many of them lack are the skills, assessment and mentoring to establish a small business that NEIS could provide. The opportunity for community capacity building through providing access to the NEIS program to this group of job seekers is obvious.

### **Recommendation**

**21. Eligibility to NEIS be broadened to cover mature-aged unemployed job seekers who are not presently eligible for benefits, allowing them access to the training, assistance and mentoring aspects of the scheme, without accessing the NEIS allowance unless they meet current eligibility guidelines.**

## **Indigenous Job Seekers**

While there has been some recent improvement, the performance of Job Network in assisting Indigenous job seekers has generally been poor. To improve the assistance offered to Indigenous clients the following need consideration:

- a. There is a need to modify the process of referral to Job Network and to initiate local research into the barriers to participation for Indigenous job seekers.
- b. The requirement that an IA provider send out a mail house letter and enter into a Preparing for Work Agreement (PFWA) at the commencement of assistance is a major barrier to building a relationship of trust.
- c. Job Network staff need development programs to improve their cultural awareness of Indigenous issues, and to encourage them in developing strong links with local communities, CDEP’s and government agencies.

Specialist ATSI providers were polarised in the recent Star Ratings with above average (4.5-5.0) performance for some providers and negatively skewed performance for the remainder of the population. This pattern exists for both metropolitan and non metropolitan providers alike.

## **Recommendations**

- 22. Modify the current referral and sign-up process for IA to provide ATSI clients with a more culturally sensitive introduction to the Job Network.**
- 23. Structures be put in place to ensure that those involved in Job Network, CDEP, IECs, Centrelink, employers and communities work in partnership at the local level for ATSI clients.**
- 24. A best practice study of high and low performing specialist ATSI Job Network providers be undertaken to identify the characteristics of high performance and allow for the dissemination of best practice.**

Further details on this report can be obtained by contacting Peter Richardson on (02) 9219 2009.